

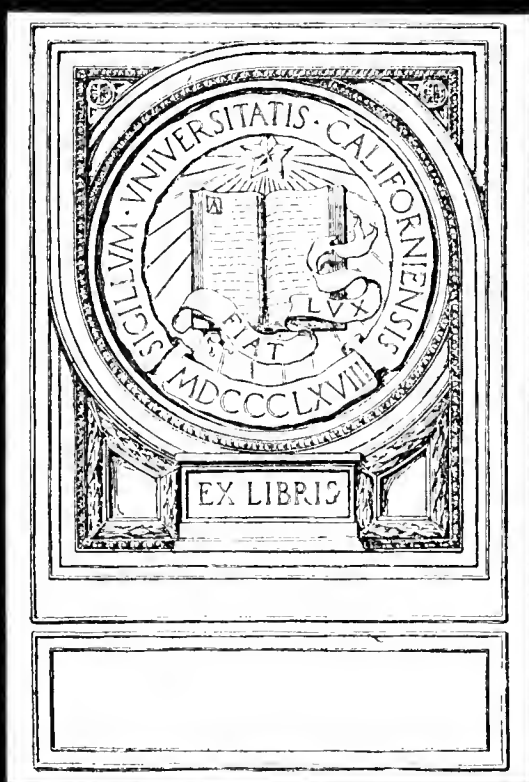
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Gt Brit. Home dept. Committee on compensation

DISABLED SAILORS AND SOLDIERS (COMPENSATION  
COMMITTEE.

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REPORT

OF THE

DEPARTMENTAL COMMITTEE

ON

COMPENSATION

FOR

DISABLED SAILORS AND SOLDIERS

UNDER THE

WORKMEN'S COMPENSATION ACT, 1906.



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# WARRANT OF APPOINTMENT.

I HEREBY APPOINT:—

The VISCOUNT PEEL,

Mr. MALCOLM DELEIVINGNE, C.B.,  
Assistant Under-Secretary of State, Home Office,

Mr. J. C. McBRIDE,  
Accident Manager of the Commercial Union Assurance Company,

Major R. MITCHELL, C.B.E.,  
Ministry of Pensions,

Mr. J. S. NICHOLSON,  
Ministry of Labour,

The Honourable ALEXANDER SHAW, M.P., and

Mr. BEN TILLET, M.P.,

to be a Committee to consider and report whether any special provision should be made in the case of disabled sailors and soldiers returning to civil employment in regard to the payment of compensation under the Workmen's Compensation Act.

I FURTHER APPOINT Lord Peel to be Chairman and Mr. G. R. A. Buckland, of the Home Office, to be Secretary to the Committee.

(Signed) GEO. CAVE.

Whitehall,

6th March, 1918.

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TO THE RIGHT HONOURABLE SIR GEORGE CAVE, M.P.,  
Secretary of State for the Home Department.

SIR,

WE have the honour to submit the following report on the question referred to us:—

### OBJECT OF THE INQUIRY.

The Committee were appointed in consequence of representations made to the Home Office by the Ministry of Pensions and the Ministry of Labour that difficulties were being experienced in arranging for the return to civil employment of disabled men discharged from H.M. Forces, owing to an apprehension among employers that the employment of such men would be attended by a greatly increased risk of accident. Under the Workmen's Compensation Act, the whole liability for compensation in the case of an accident arising out of and in the course of the employment falls upon the employer, and the uncertainty as to the charge for compensation which might be entailed by the employment of disabled men was reported in some cases to be hindering employers from engaging them. The Committee have accordingly understood their terms of reference to mean that they should consider and report whether any special provision is required in order to ensure that the operation of the Act will not prejudice the return of disabled sailors and soldiers to civil employment.\*

It is evident that if this apprehension exists and is likely to operate in the way suggested, it is a matter of considerable importance in view of the great number of disabled men who will have been discharged from the Navy, Army and Air Service by the end of the war.

### EXTENT OF THE PROBLEM.

Our first step was to endeavour to ascertain the extent to which the apprehension existed among employers, the grounds on which it rested, and the effect it was having or was likely to have on the employment of disabled men.

The question had been raised in a very urgent manner by the Trade Advisory Committee (Disabled Sailors and Soldiers) for the Shipbuilding and Engineering Trades, one of a number of such Committees appointed by the Ministry of Labour to advise as to the training and employment of disabled men discharged from H. M. Forces. This body, which was engaged in preparing schemes for the training and employment of disabled men in engineering and shipbuilding work, had resolved that no useful purpose would be served by continuing their work until the question of compensation had been settled. We invited representatives of this Committee to attend before us. We also approached a number of important employers' organisations and obtained their views on these questions. Lastly, the Ministry of Labour at our request called for reports from typical Employment Exchanges as to their experience in connection with the placing of disabled men.

As was perhaps to be expected, our inquiries did not lead to any very definite conclusions. Different opinions were expressed by different employers and associations of employers even in the heavier and more dangerous trades. The information received shows that the question has not yet arisen in an acute form. Labour is scarce and employers are glad to get any man who is capable of doing efficient work. The Employment Exchanges report only isolated cases in which employers base their refusal to employ a disabled man on the ground of increased liability.\* We summarise briefly the opinions expressed to us.

The employers' representatives on the Shipbuilding and Engineering Trade Advisory Committee said quite frankly that they did not want disabled men, and would not employ them unless the State assumed the liability for compensation.

The General Manager of one of the great Railway Companies said that undoubtedly the Companies would feel some apprehension in employing disabled men; the number of light and safe jobs at their disposal was limited, and they were usually filled by men injured in the service of the company itself.

The National Federation of Building Trades Employers said that the apprehension exists in the trade, but it was admitted that the apprehension was based on the expectation that employers would be required to pay a special premium in respect of such men.

The Federation of Master Printers consider a serious danger attaches to the employment of disabled men, and that apprehension on the part of employers as to increased compensation liability "has already damped their sympathetic desire to do whatever they can for men who have suffered in the national cause."

An important Association of Iron and Steel Manufacturers writes as follows:—"It must be admitted that apprehension does exist in the minds of employers as to their expenses under the Workmen's Compensation Act being increased by the employment of disabled sailors and soldiers in steel works and rolling mills. It should, of course, be understood that in cases where such men are employed they would be, whenever possible, placed in positions where the risks, owing to their disablement, would be reduced to a minimum. The apprehension referred to above exists on account of—

- "(a) the inability of disabled men to get quickly clear of fast running machinery;
- "(b) the difficulty they would have in getting into position on engines, cranes, &c.;
- "(c) the greater risk they run in getting about railways and the works generally; and

\* Our reference mentions disabled sailors and soldiers only, but our report and recommendations apply equally of course to disabled men belonging to the Royal Air Force.

“on other similar grounds owing to their freedom of action being curtailed.” The Association think that the apprehension will operate with employers to a certain extent as a ground for refusing to engage disabled men.

The London Cartage Contractors' Association consider that as their employees are mostly engaged in driving in the London streets, the risk of accident to themselves and others would be undoubtedly increased by disability, and that this will militate against the employment of disabled men.

On the other hand, the National Employers' Federation (Midland District) informed the Committee “that they do not consider any apprehension exists among employers in their industry that by engaging disabled men they may seriously increase their expenses under the Workmen's Compensation Act; that, in their opinion, no such apprehension, even if it did exist, would operate with employers as a ground for refusing to engage disabled men; that it will be the first intention of the members of this Federation to do all in their power to see that such men are engaged in posts for which they are fitted, and that they can imagine nothing that will interfere with this obvious duty and privilege of employers.”

The Federation of Master Cotton Spinners' Associations think “there is no apparent reason to believe that the engagement of men who have been disabled whilst serving in H.M. Forces is likely to seriously increase expenses under the Workmen's Compensation Act,” and they are “not likely to raise any objection to the employment of men who have been so disabled, providing they are able to do their duties satisfactorily.”

The Federation of Calico Printers say that “no apprehension has revealed itself that employers by engaging disabled men might increase their expenses under the Workmen's Compensation Act. Disabled men are being taken back by various firms, but so far their numbers are not sufficient, nor has the experience extended over a sufficiently long period, to enable final conclusions to be drawn.”

The Shipping Federation have sent the following statement:—“With regard to dock labour, the shipowners are, in the majority of cases, not the direct employers, and the selection of the men to be employed will, therefore, not rest with them. So far, however, as they are direct employers, it is probable that a number of partially disabled men will obtain employment, and it is quite probable that these men will be more liable to sustain accidents in the course of their work than men not suffering from disablement under similar circumstances. With regard to seamen, generally speaking, it is not possible to employ on board ship a man who is in any serious degree disabled. There is, of course, no surplus labour on board ship and a captain or engineer will not handicap himself by engaging men who are not equal to the work expected of them. If men who have been wounded are employed as seamen, it is probable, therefore, that their degree of disablement will be slight and they will not be more liable to sustain accidents than they would be had they not been wounded. If, however, the contrary should prove to be the case, it is very doubtful whether the operation of the Workmen's Compensation Act would have any influence in preventing employers from engaging wounded men, because all seamen are insured against Workmen's Compensation Act risks by the Shipowners' Protection Associations, which are mutual associations and would not be likely to discriminate to the disadvantage of such men.”

The Federated Associations of Boot and Shoe Manufacturers informed the Committee that the employment of disabled men has already substantially increased the cost of Workmen's Compensation Insurances in the industry, but that they do not think this will operate against the employment of such men.

The Employers' Federation of Bleachers, Dyers and Finishers, and the British Flint Glass Manufacturers' Association say that no apprehension exists among the employers in their trades; and the Association of Glass Bottle Manufacturers do not anticipate any difficulty in employing disabled men.

#### HOW FAR APPREHENSIONS ARE JUSTIFIED.

It has been suggested to us that the employment of a disabled man involves a greater compensation risk in two ways: (1) he is more liable to accident, as his disability renders him less able to protect himself; (2) the consequences of an accident to a man who is crippled or of weakened constitution may be more serious.

There appear to be no statistics available which throw light on either of these points. It is usual for a man who meets with an industrial accident to return to his old industry on recovery and to be found work, and disabled men are to be found employed in many industries. After the passing of the Workmen's Compensation Act, questions were occasionally raised as to the risk of employing such men, and an arrangement was made between the Home Office and most of the Accident Insurance Companies by which the Companies undertook to “insure defective workmen at such rates as they might deem proper, except where such workmen were certified by a doctor to be so physically or mentally unfit for the work on which it was proposed to employ them that they could not be employed on it without danger to themselves or others.” It has been, in fact, the practice of the Companies, as stated below, to include disabled men, without distinction, in the general body of employees. No separate accounts have been kept with respect to such cases.

As regards the first point—the greater liability of a disabled man to accident—different views were put before us by different witnesses. The Inspectors of the Factory Department who appeared before us gave it as their general impression, based on many years' experience, that in fact accidents were not relatively more numerous among disabled than among ordinary men, or that at any rate the difference was so small as to be negligible. A disabled man is obviously less able to protect himself against certain dangers; he may, for instance, be less quick to see or to avoid an approaching danger, less active in saving himself in case of a fall, and so on. On the other hand, he is, as a rule, not employed on work of the more dangerous kinds and his disability has rendered him more cautious. The opinion, however, of both the employers' and workmen's representatives on the Engineering and Shipbuilding Trade Advisory Committee was that there was an appreciable increase of risk, at any rate in occupations where machinery is used; and similar views were expressed by a number of other associations of employers.

The position of the disabled sailor or soldier is not quite the same as that of the workman disabled in civil employment. He will be in receipt of a life pension, of an amount graded according to his degree of disability, which will render it less necessary for him to engage in hard or hazardous work; he will be advised and assisted in the choice of employment by the Local Pensions Committee; and opportunities for training for new kinds of work will be offered him.

We may draw attention to the series of reports upon openings in industry suitable for disabled sailors and soldiers which are being published by the Ministry of Labour and which have been drawn up by or on the advice of the Trade Advisory Committees after a detailed survey of the various occupations. The reports indicate that a large number of occupations suitable to men suffering from various kinds and degrees of disability exist in the industries in question, and we have no doubt that there will be a general desire to give disabled sailors and soldiers a preference for such employments.

On the other hand, no doubt many disabled men will desire to go back to the industries in which they were engaged before the war, despite a measure of risk which may attach to them; and if, as is the case in some of the specially dangerous industries, the openings for light employment suitable to disabled men are limited, there will be a tendency for them to go into the more hazardous processes. It is, perhaps, not out of place for us to suggest that in view of the large numbers of disabled men who will be engaged in industry at the close of the war, the special attention of the Mines and Factory Departments of the Home Office may be necessary to prevent any undue risks being incurred.

As regards the second point mentioned above, it is obvious that even a slight accident may in the case of a disabled man entail very serious consequences. The loss of an eye or a hand to a man who had already lost an eye or a hand has more disabling results and will entail a much greater compensation charge than in the case of the ordinary man. Similarly, a slight accident from which an ordinary man may recover in a few days or weeks may, in the case of a man with a constitution enfeebled by disease, lead to illness of long duration or even permanent disability or death. This risk must, we think, be regarded as a substantial one, but there are no means by which the Committee are able to measure it. Experience over a term of years alone can show the additional liability involved.

It has also been suggested that a disabled man is not only more liable to accident himself, but is a greater source of danger to his fellow-workmen. An Association of Iron and Steel Manufacturers writes that "the failure of one man very often involves the safety of others, and a disabled man, according to the extent of his injury, would be regarded as a weak link which some day may fail, involving not only himself but others who might be dependent on him." If disabled men were likely to be employed to any considerable extent in dangerous occupations, this risk would, no doubt, be an appreciable one, but we have no reason to suppose that such cases are likely to be numerous.

Our general conclusion, therefore, is that the employment of disabled sailors and soldiers will entail on the average a heavier charge for compensation. Whether this increased charge, if allowed to fall on the employer, will weigh very much with him in selecting men is a different question.

In the first place, the majority of employers insure against their liability under the Workmen's Compensation Act, or are members of a Mutual Indemnity Society.\*

The practice of the Insurance Companies is to charge employers a flat rate of premium based on the amount of wages paid and fixed either for the whole of a trade or industry, or for large sub-divisions of a trade or industry.†

These rates are reviewed from time to time and may be readjusted to meet any change in the claims experience of the companies. We are informed by the Accident Offices Association that, so far as their members are concerned, there has been no alteration made for any trade or industry since 1912, and that none is in contemplation.

The companies reserve freedom to themselves to fix special rates for individual firms, but this is seldom exercised except to enable them to offer more favourable terms for specially well-managed firms which can show that their accident risks are lower than the normal. We are informed by the Associated Companies that it would be contrary to their practice to discriminate against an individual employer because of his employment of disabled sailors and soldiers, and they have recently given a public assurance that they would not raise an employer's rate or decline a risk on account of the employment of disabled sailors and soldiers. If it should prove—contrary to their present expectations—that the employment of considerable numbers of disabled sailors and soldiers results in an appreciable increase in the cost of compensation, their policy would be to spread the increased charge over the whole trade by an increase in the flat rate.

The insured employer, therefore, will not incur by reason of his employment of disabled men any special liability, and the small addition to the premium which would at the most be required to cover the increased cost of compensation, if thus spread over the whole trade, would not be felt to be a serious matter by most employers.

The position of the uninsured employer who chooses to carry his own risk is different. In his case the whole burden of any increased liability due to employing disabled men will, in the absence of any special provision, fall on him. Many of the uninsured employers are very large firms who it may be expected will seek to provide, as far as possible, for their own men who return to them disabled from the Navy or Army, but it is clear from the evidence we received that the risk of increased cost of compensation will weigh with some, at any rate, of the large firms, and in the case of the smaller employers who for one reason or another do not insure, it is likely to operate still more strongly. It was represented to us that the number of light jobs in some industries is limited, that they are usually reserved for men who have been injured in the firm's own employment, and that it will not be possible to find many such places for disabled sailors and soldiers.

\* Figures based on the annual returns required to be furnished by employers were supplied to us by the Home Office and showed that in the manufacturing industries, for example, 72·4 per cent. of the compensation for fatal accidents and 81·1 per cent. of the non-fatal accidents was covered by insurance, the figures ranging from 99·6 and 96·7 in the china and earthenware group to 56·6 and 62·9 in the extraction, conversion, etc., of metals group.

† For example, in the Woodworking trade, there may be one rate for men engaged at woodworking machinery and another for men not so engaged; in Shipbuilding there may be different rates for different sizes of ship, the construction of which involves varying degrees of risk according to the height of the staging, etc.

Many Mutual Indemnity Companies carry on their business on similar lines, insuring their members against their liabilities under the Act and levying on them a uniform contribution. Other Mutual Companies, for example some of those in the Colliery Industry, only insure their members against part of the liability, though they act on behalf of their members in respect of all questions which may arise, and furnish the Government with the annual returns required under the Act.

It appears to us, however, that a much more important factor than any increased liability for compensation will be the diminished efficiency of the disabled man. At the present moment, when there is a great shortage of men, his diminished efficiency does not prove a serious hindrance to his obtaining employment, but at the close of the war the position will be radically changed. Large numbers of able-bodied sailors and soldiers will be returning to their civil employment. Many industries will be making the difficult change from a war to a peace basis, and will be preparing for the struggle which will ensue for the control of the world markets. It must be anticipated that the able-bodied men will be taken on in preference to the disabled men; nor could employers be urged to do otherwise.

While, therefore, we feel confident that the great majority of employers will desire to give preference to disabled sailors and soldiers where they can do so without danger to the man or any serious loss of efficiency in the work or detriment to their business; under the conditions that will obtain after the war, and the strain of the fierce competition that must be expected, the relative efficiency of the disabled men will and must be the first consideration with an employer, and we think that, in general, this will be a far more important factor than the possible operation of the Workmen's Compensation Act.

At the same time, the influence of the increased liability for compensation cannot be excluded. Under the conditions that will prevail after the war, costs will be closely scrutinised and working expenses reduced by every possible means. In cases where the disability might not mean any serious diminution of efficiency it may still be sufficient to turn the scale against the man, if the employer has to bear the increased compensation risk himself. If cases are already found to be occurring in which employers are unwilling to engage men on this account, it must be expected that the number of such cases after the war will be considerable.

### NECESSITY FOR REMOVING GROUNDS OF APPREHENSION.

On a general review of the whole position we have come to the conclusion that the individual employer should be relieved of any additional compensation liability which the employment of disabled sailors and soldiers may entail so as to prevent the apprehension of such liability prejudicing the employment of such men.

We are confident there will be a very strong feeling that all obstacles in the way of the return of these men to employment should, as far as practicable, be removed; and it would not be fair, in our opinion, to call upon the individual employer to bear the cost of the additional liability which arises out of injuries incurred in the service of the State. We may mention that both in France and Italy, where a similar problem has arisen, the State has found it necessary to take action. Particulars are appended in a footnote.\*

### SCHEMES FOR MEETING THIS SITUATION.

There are three alternative ways in which the additional liability of the employer might be provided for.

(a) It might be borne by the man himself. It could be arranged that such addition to the premium rate as the Insurance Companies might find it necessary to charge in respect of disabled men should be contributed by the man himself. It might be argued that full provision had been made in the man's pension† for the incapacity resulting from his war service, and that it would not be unreasonable to expect him, in taking fresh employment, to bear any additional liability which might be entailed by his employment. We put this alternative aside without hesitation. It would not, we believe, be in accordance with public sentiment, and there would be great practical difficulties. It would not fit in with the system of the Insurance Companies as described above, and it would not meet the case of the uninsured employer. Another suggestion which was made to us that the amount of compensation should be reduced in cases where the injury was due to or aggravated by the war disability also seemed to us inadmissible on several grounds.

(b) It might be borne by the trade as a whole. It could be arranged with the Insurance Companies that no increase of premium should be charged to the individual employer of disabled men, but that any additional charge which experience might show to be necessary should be spread over the whole industry, or section of the industry, by an increase of the flat rate. If all employers were insured this would be much the simplest method of dealing with the problem and we should have recommended it. The increased cost of compensation, on the highest estimate, would amount to a trivial sum on the premium of the individual employer, if spread over the whole trade; and employers would not, we think, object to bearing it. This scheme would not, however, meet the case of the uninsured employer, and though the proportion of compensation liability in all the great industries taken together which is not covered by insurance is roughly only a quarter of the whole, there are some very important industries in which the proportion is very much higher, and we do not think the case of the uninsured employer can be ignored.

(c) It might be borne by the State. This is the course the Committee recommend. It seems to the Committee that the State, in whose service the disability has been incurred, should be prepared to accept the liability for any increase in the cost of compensation which may result from the employment of disabled men, and they feel no doubt that such a course would be generally approved. The consideration, however,

\* Under the French law of 25th November, 1916, if a soldier or sailor suffering from serious disability due to war service meets with an industrial accident causing death or permanent incapacity, the tribunal is required to ascertain (1) whether the accident is exclusively due to the war disability, and if not, (2) whether the permanent reduction in earning capacity resulting from the accident has been increased by the war disability and, if so, in what proportion. In the first case, the employer is relieved altogether, and in the second case he is relieved of a proportion of the compensation payable, and this proportion of the compensation is provided out of a fund maintained by contributions from employers generally.

Under the Italian law of 25th March, 1917, Insurance Institutions are bound to insure persons disabled through war service against industrial accident, and the employment of such men is not to be taken into account as a factor in determining the risk to be insured except when their number exceeds a certain figure.

† Pensions are graduated according to the degree of disability. For certain classes of injuries there is a fixed scale. A blind man or a man who has lost two limbs gets the full pension; a man who has lost one eye or one limb gets half pension; a man who has lost two fingers of the right hand gets one-fifth. Injuries not in the list and diseases are estimated by a Medical Board. The pension is not fixed with any reference to the man's incapacity for his former employment (except in the case of the "alternative pension" which may be awarded if the man can show that his pension with the wages he can still earn amounts to less than his earnings before the war and which is fixed so as to make the pension and earnings together equal to the earnings before the war, subject to a certain maximum). It is obvious that many men in receipt of a pension will be able to resume their former work with little or no loss of efficiency.



of the machinery for giving effect to the proposal has presented considerable difficulties. There is no simple method by which the increase, if any, in cost of compensation due to the employment of disabled men can be assessed. There is no machinery available for determining in individual cases the questions whether the injury was due to the previous disability, or to what extent it was contributed to by the disability, or how far the results have been aggravated by the disability; and even if there were such machinery, the determination of the questions would often be an extremely difficult matter, involving expenditure out of all proportion to the amount at stake. Nor can the situation be met by an offer on the part of the State to refund such addition to the employer's premium as the Insurance Companies might find it necessary to charge in order to cover the additional liability. Such an offer would not cover the case of the uninsured employer, nor could it be adapted to the system of insurance by flat rates which is that adopted by the Insurance Companies. Moreover, there are no data available at present on which the proper additions to the premiums could be determined.

The following schemes have been considered by us:—

One scheme would be to fix a definite proportion of the compensation (based on the best estimate that can be formed of the increase of liability) which the State should pay in any case of injury to a disabled man which entitled him to compensation under the Act. While this scheme was attractive at first sight, we have not felt able to recommend it. Any proportion fixed at present would be a mere guess, and in order to reassure employers might have to be fixed unduly high; while, if the proportion were to be subject to periodical revision in the light of experience, the scheme would not present any special advantages over the next scheme. Very considerable administrative difficulties would also be involved.

Another scheme would provide that the Insurance Companies should be required to insure all disabled men at the ordinary flat rate for the trade or section of the trade and that the State should refund to the Companies the excess, if any, of the compensation charge—plus a due proportion of administration expenses—over the premiums received. It would be necessary under such a scheme for separate accounts to be kept by the Insurance Companies in respect of disabled men, and for employers to specify separately in their annual returns to the Companies the total wages paid in respect of such men, and to identify all claims for compensation made in respect of disabled men. The scheme would sufficiently meet the case of the uninsured employer, as he would be able to insure a disabled man at ordinary rates without insuring all his men. In the case of very large firms, where the experience is wide enough to give a fair average (*e.g.*, firms paying not less than £100,000 annually in wages\*) there would be no objection, we think, to their being treated in the same way as an Insurance Company.

This scheme appeared to us to have much to recommend it, and to be administratively practicable, and we asked Mr. McBride, a member of the Committee, to lay it before the Accident Offices Association and obtain their observations upon it.

The Associated Companies were prepared to accept the general principle of the scheme, *viz.*, that they should agree to insure all disabled men at the ordinary flat rate, but they have proposed that the arrangements for recovering any excess from the State should not be put into full operation for the present. They are now including disabled sailors and soldiers in their policies without any addition to the ordinary rate of premium for the trade, and are not contemplating any early revision of the rates.

The Companies have expressed themselves as willing to accept the following scheme:—

- (a) *As regards employers who insure in respect of all their men* the Accident Offices Association will undertake on behalf of its members that they will not at any time increase any rate of premium whatever as a result of the employment of disabled sailors and soldiers or airmen, and that, should any trade rate at any time require reconsideration on claims experience, the experience in respect of such men will not be taken into account in fixing the rate. This undertaking to be subject to the condition that after the 1st January, 1928, the State will, if and when the Association so request, repay to the Association any excess which the claims made in respect of disabled sailors, soldiers or airmen after the date of the request, together with an agreed percentage of the expenses of management, may show over the premiums paid in respect of them.

The companies will keep separate accounts in respect of the disabled men included in the policies, obtaining the necessary information from the employers for the purpose.

- (b) *As regards employers who do not insure in respect of their general liability under the Act*, the Association will undertake to insure any such employer, if he so desires, in respect of disabled men alone at the general flat rate, subject to the condition that the State will, if the Association so request, repay the Association any loss incurred by them through such insurance, *i.e.*, the excess of the compensation paid, plus an agreed proportion of the expenses of management, over the premiums received.

We recommend that this offer, which appears to us to be very advantageous to the State, should be accepted.

A number of the insurance companies, however, are not members of the Accident Offices Association, and there are also the Mutual Indemnity Societies to be considered. It should be open to them to enter into an undertaking with the Government on similar lines, *i.e.*, to insure disabled men at the normal rate on condition of repayment by the State, if desired, of any excess of payments over premiums—the exact arrangements being a matter for adjustment according to the circumstances in each case.

As regards large firms who elect to carry their own insurance, the arrangement might be that if they give notice before (say) the 1st January, 1919, and supply such information as the Government may require in regard to the average compensation cost for the works, &c., they shall be entitled to obtain at the end of each year a refund of the excess of the cost of compensation paid in respect of injuries to disabled men over the average compensation cost (excluding disabled men), or (if they prefer it) over the amount of the premiums that would have been payable for their disabled men on the rates charged by the Accident Offices Association.

\* Possibly a lower figure might be fixed if the refund were made at longer intervals than a year, *e.g.* £50,000 if the interval was two years.

*Definition of "disabled men."*—It will be necessary to define, for the purposes of the scheme, who is to be included as "disabled men." It appears to us that the only practicable test will be whether the man is in receipt of a disability pension from the State, and we understand that the Ministry of Pensions concurred in this view. All disabled sailors and soldiers whose disability is attributable to or aggravated by the war are entitled to a pension (temporary or permanent according to the nature of the case and graduated according to the degree of disability)—excepting only men whose disability is rated at less than 20 per cent. (calculated on the basis of the average man's ability), and who receive a lump sum gratuity instead of a pension. The Ministry of Pensions do not consider it necessary that any special provision as regards compensation should be made in respect of this latter class—the degree of injury being so slight as to involve no increase, or negligible increase only, in the risk of accident.

Full records of all pensioned men are available at the Ministry of Pensions and will enable the Government to exercise an adequate check on any claims for re-imbursement that may be made upon them, whether by Insurance Companies, Mutual Indemnity Associations or individual firms.

The scheme we recommend will make it necessary for the employers to ascertain, when applied to for employment by a disabled man, whether he is in receipt of a pension or not. A pensioned man is given a certificate indicating his position under the Pensions Warrant—and we see no objection to his being required to produce this to the employer. It has been suggested that some resentment may be caused among the workers by such inquiries through an apprehension that employers may reduce the rate of wages to a pensioned man. We think, however, that no such feeling will arise if it is understood that the inquiries are required by the State, and it is obvious that the identification of the pensioned man is essential for the success of any scheme.

*Cost to State.*—For the reasons which we have set out earlier in the report we do not regard the increase in the compensation liability in these cases as likely to be at all serious, and consequently we do not expect that the charge to the State will be considerable. No exact estimate can, of course, be given. The number of permanent pensioners after the close of the war can only be roughly estimated;\* and the number of those who will take up industrial employment, and the additional compensation charge which may be incurred in respect of them, are unknown. If we take 350,000 as the number of permanent pensioners, and assume that 250,000 will take up industrial employment, the normal compensation charge (on the basis of the Home Office published returns†) would be under £120,000 per annum. If we estimate the average of the increased liability for compensation at 25 per cent. above the normal, the annual charge to the State would not exceed £30,000, and we think that £50,000 may be taken as an outside figure. For the first ten years during which the Associated Companies have offered to maintain the present rates of premium without making any claim on the State except in respect of employers who insure only their disabled men, the maximum amount would be very much less; and it should also be remembered that the figures will diminish steadily as the years pass by.‡ Even at the highest figure mentioned, we do not think the cost will be regarded as excessive.

We desire in conclusion to express our indebtedness for the very valuable assistance rendered to us in connection with the inquiry by our Secretary, Mr. Buckland.

We have the honour to be, Sir,

Your obedient Servants.

PEEL.

MALCOLM DELEIVINGNE.

J. C. McBRIDE.

ROBERT MITCHELL. Major.

J. S. NICHOLSON.

ALEXANDER SHAW.

BEN TILLET.

Home Office,  
Whitehall.  
26th April, 1918.

G. R. BUCKLAND,  
*Secretary.*

\* The Ministry of Pensions has furnished the Committee with the following estimate. Up to the end of last month, 320,000 pensions had been awarded to disabled men. It is thought that about 240,000 of these will be permanent: that among the permanent cases there will be a small proportion, from 12,000 to 24,000, of cases of entire disablement for industrial work which will not come into the labour market at all; that at the other end of the scale there will be a very large number of cases in which the disability will not be of such a character as seriously to affect the accident risk; and that only about 65,000, or about one-fifth of the total, will present a substantial additional risk under the Compensation Act. The Ministry say, however, that data are not available as yet to make even an approximate estimate, and these figures cannot be made the basis of any estimate of cost.

† For the seven great industries of mining, quarrying, railways, factories, docks, constructional work and shipping, the compensation charge in 1913 worked out at 8s. 11d. per person employed.

‡ The present average age on discharge of pensioners is 30·5 years.

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